Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2017 include the accounts of the Company and its 68 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (69 and 5 in 2016).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. In principle, the financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 or 10 years.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraphs b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998 and the facilities attached to buildings and the other non-building structures acquired after April 1, 2016. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employees participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts cannot be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income attributable to common shareholders of the parent and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income attributable to owners of parent's common stock and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

q. Changes in Accounting Policies

(Application of "Practical Solution on a change in depreciation method due to Tax Reform 2016")

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standard Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act. of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect of this change was minimal and the impact on the segment information was minimal.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥112=U.S.$1, the approximate exchange rate as of March 31, 2017. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Merchandise and finished goods	¥ 56,873	¥ 56,290	$ 507,800
Work in process	48,395	52,410	432,107
Raw materials	37,144	36,439	331,636
Inventories	¥142,412	¥145,139	$1,271,543

Losses (gains) on valuation of inventories with lower profitability were ¥586 million ($5,233 thousand) and ¥587 million for the years ended March 31, 2017 and 2016, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Investment securities	¥ 18	¥ 15	$ 168
Property, plant and equipment	1,956	5,723	17,467
Intangible assets	435	472	3,875
Total	¥2,409	¥6,210	$21,510

Collateralized liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Trade payables	¥ 51	¥ 43	$ 459
Short-term debt	148	244	1,327
Long-term debt	177	431	1,580
Total	¥376	¥718	$3,366

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relations and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 14 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2017 and 2016, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2017		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 41,886	¥ 41,886	¥ —
Trade receivables	269,676	269,642	(34)
Investment securities	113,401	123,351	9,950
Trade payables	(165,306)	(165,306)	—
Short-term debt	(36,482)	(36,482)	—
Current portion of long-term debt	(30,526)	(30,535)	9
Lease obligations (Current Liabilities)	(11,276)	(11,276)	—
Long-term debt	(84,208)	(84,548)	340
Lease obligations (Long-term Liabilities)	(20,972)	(21,235)	263
Derivatives			
Derivative transactions to which hedge accounting is not applied	31	31	—
Derivative transactions to which hedge accounting is applied	(2,314)	(2,314)	—

	Millions of yen		
	2016		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 30,838	¥ 30,838	¥ —
Trade receivables	258,378	258,358	(20)
Investment securities	109,000	119,074	10,074
Trade payables	(160,416)	(160,416)	—
Short-term debt	(59,317)	(59,317)	—
Current portion of long-term debt	(36,977)	(37,055)	78
Lease obligations (Current Liabilities)	(11,970)	(11,970)	—
Long-term debt	(88,449)	(89,326)	877
Lease obligations (Long-term Liabilities)	(23,498)	(23,768)	270
Derivatives			
Derivative transactions to which hedge accounting is not applied	13	13	—
Derivative transactions to which hedge accounting is applied	(1,643)	(1,643)	—

	Thousands of U.S. dollars (Note 3)		
	2017		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	$ 373,988	$ 373,988	$ —
Trade receivables	2,407,823	2,407,521	(302)
Investment securities	1,012,509	1,101,349	88,840
Trade payables	(1,475,951)	(1,475,951)	—
Short-term debt	(325,733)	(325,733)	—
Current portion of long-term debt	(272,554)	(272,639)	85
Lease obligations (Current Liabilities)	(100,681)	(100,681)	—
Long-term debt	(751,863)	(754,897)	3,034
Lease obligations (Long-term Liabilities)	(187,252)	(189,607)	2,355
Derivatives			
Derivative transactions to which hedge accounting is not applied	280	280	—
Derivative transactions to which hedge accounting is applied	(20,662)	(20,662)	—

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
	Carrying amounts	Carrying amounts	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥14,184	¥16,265	$126,646

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2017 and 2016:

	Millions of yen			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 41,886	¥ —	¥ —	¥—
Trade receivables	261,221	8,458	6	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	¥303,107	¥8,458	¥ 6	¥—

	Millions of yen			
	2016			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 30,838	¥ —	¥ —	¥—
Trade receivables	253,704	4,636	38	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	0	—	—	—
Total	¥284,542	¥4,636	¥38	¥—

	Thousands of U.S. dollars (Note 3)			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$373,988	$ —	$ —	$—
Trade receivables	2,332,333	75,520	60	—
Investment securities				
Debt securities with maturity date classified as other securities (Public bonds)	—	—	—	—
Total	$2,706,321	$75,520	$60	$—

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥40,173	¥101,608	¥61,941	¥(506)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥40,173	¥101,608	¥61,941	¥(506)

	Millions of yen			
	2016			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥54,536	¥98,014	¥44,209	¥(731)
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥54,536	¥98,014	¥44,209	¥(731)

	Thousands of U.S. dollars (Note 3)			
	2017			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$358,691	$907,220	$553,050	$(4,521)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$358,691	$907,220	$553,050	$(4,521)

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2017 and 2016 were ¥4,058 million ($36,236 thousand) and ¥4,003 million, respectively.)

2. Sales of other securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Proceed from sales	¥33,240	¥5,779	$296,792
Gain on sales	18,849	2,330	168,297
Loss on sales	—	0	—

3. Impairment of other securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Impairment losses	¥244	¥167	$2,187

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥1,833	¥ —	¥30	¥30
Euro	1,193	—	0	0
Won	339	—	(9)	(9)
Payables:				
U.S. dollar	440	—	3	3
Won	301	102	7	7
Yen	32	—	(0)	(0)
New Taiwan Dollar	17	—	0	0
Total	¥4,155	¥102	¥31	¥31

	Millions of yen			
	2016			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥1,087	¥—	¥ 43	¥ 43
Euro	1,346	—	10	10
Won	112	—	(3)	(3)
Canadian dollar	162	—	(0)	(0)
Yen	66	—	(2)	(2)
Payables:				
U.S. dollar	702	—	(2)	(2)
Won	366	—	(33)	(33)
Yen	10	—	0	0
Total	¥3,851	¥—	¥ 13	¥ 13

	Thousands of U.S. dollars (Note 3)			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	$16,349	$ —	$258	$258
Euro	10,654	—	8	8
Won	3,035	—	(83)	(83)
Payables:				
U.S. dollar	3,933	—	28	28
Won	2,688	912	71	71
Yen	290	—	(3)	(3)
New Taiwan Dollar	154	—	1	1
Total	$37,103	$912	$280	$280

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2017 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 5,847	¥ 990	¥ (26)
	Euro		360	—	1
	Payables:	Accounts payable–trade			
	U.S. dollar		2,750	457	(39)
	Euro		20,974	13,476	(2,259)
	Pound Sterling		68	—	6
	Singapore Dollar		53	—	3
	Swiss franc		4	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 2,574	¥ 114	
	Yuan Renminbi		180	—	
	Baht		0	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. dollar		2,288	0	
	Euro		283	2	
	Total		¥35,381	¥15,039	¥(2,314)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2016 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 4,550	¥ 3,336	¥ 152
	Euro		394	—	(1)
	UAE Dirham		3	—	0
	Payables:	Accounts payable–trade			
	U.S. dollar		4,113	758	(138)
	Euro		23,404	20,162	(1,638)
	Swiss franc		79	—	(3)
	UAE Dirham		2	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		¥ 1,913	¥ 580	
	Payables:	Accounts payable–trade			(Note 2)
	U.S. dollar		647	—	
	Euro		92	2	
	Total		¥35,197	¥24,838	¥(1,628)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2017 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		$ 52,206	$ 8,847	$ (234)
	Euro		3,217	—	16
	Payables:	Accounts payable–trade			
	U.S. dollar		24,561	4,084	(352)
	Euro		187,238	120,297	(20,177)
	Pound Sterling		610	—	55
	Singapore Dollar		478	—	31
	Swiss franc		40	—	(1)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollar		$22,982	$ 1,024	
	Yuan Renminbi		1,609	—	
	Baht		0	—	(Note2)
	Payables:	Accounts payable–trade			
	U.S. dollar		20,432	5	
	Euro		2,533	26	
	Total		$315,906	$134,283	$(20,662)

Notes: 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable-trade and accounts payable-trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable-trade or accounts payable-trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2017 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥11,835	¥1,835	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2016 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥11,500	¥11,500	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2017 Contract amount	Contract amount over 1 year	Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	$105,672	$16,386	(Note 2)

Notes: 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Loans, principally from banks	¥36,482	¥37,317	$325,733
Commercial paper	—	22,000	—
Short-term debt	¥36,482	¥59,317	$325,733

Note: The weighted average interest rates on short-term debt as of March 31, 2017 and 2016 were 1.39% and 0.68%, respectively.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Loans, principally from banks and insurance companies	¥ 59,734	¥ 64,926	$ 533,345
Bonds issued by the Company:			
0.86% Yen unsecured straight bonds due 2016	—	20,000	—
1.00% Yen unsecured straight bonds due 2017	5,000	5,000	44,643
0.90% Yen unsecured straight bonds due 2018	20,000	20,000	178,571
0.38% Yen unsecured straight bonds due 2020	15,000	15,000	133,929
0.28% Yen unsecured straight bonds due 2023	15,000	—	133,929
Zero coupon convertible bonds with stock acquisition rights due 2016	—	500	—
	114,734	125,426	1,024,417
Less: Portion due within one year	30,526	36,977	272,554
Long-term debt	¥ 84,208	¥ 88,449	$ 751,863

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2017 and 2016 were 0.54% and 0.67%, respectively.

As of March 31, 2017, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2019	¥21,806	$194,700
2020	26,418	235,876
2021	16,566	147,914
2022	3,311	29,564
2023 thereafter	16,107	143,809
Total	¥84,208	$751,863

Note 10. Lease Obligations

Lease obligations as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Short-term	¥11,276	¥11,970	$100,681
Long-term	20,972	23,498	187,252
Total	¥32,248	¥35,468	$287,933

Note: The weighted average interest rates on lease obligations as of March 31, 2017 and 2016 were 2.19% and 2.08%, respectively.

As of March 31, 2017, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2019	¥ 7,262	$ 64,841
2020	5,664	50,578
2021	4,196	37,469
2022	2,731	24,391
2023 thereafter	1,119	9,973
Total	¥20,972	$187,252

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multiemployer pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Retirement benefit obligation at the beginning of the year	¥198,464	¥204,926	$1,772,006
Service cost	3,273	3,271	29,227
Interest cost	2,659	2,816	23,749
Actuarial loss	2,458	3,057	21,949
Retirement benefits paid	(13,467)	(15,615)	(120,245)
Others	(18)	9	(173)
Retirement benefit obligation at the end of the year	¥193,369	¥198,464	$1,726,513

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Plan assets at fair value at the beginning of the year	¥167,822	¥218,789	$1,498,414
Expected return on plan assets	3,489	3,652	31,159
Actuarial gain	24,725	(52,064)	220,766
Contributions by the Companies	6,485	7,429	57,908
Retirement benefits paid	(9,151)	(9,985)	(81,710)
Others	(2)	1	(28)
Plan assets at fair value at the end of the year	¥193,368	¥167,822	$1,726,509

(3) The changes in net defined benefit liability calculated by a simplified method during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Retirement benefit obligation at the beginning of the year	¥2,463	¥2,278	$22,000
Retirement benefit expenses	237	431	2,118
Retirement benefits paid	(152)	(61)	(1,363)
Contributions	(242)	(245)	(2,165)
Others	125	60	1,118
Net defined benefit liability at the end of the year	¥2,431	¥2,463	$21,708

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Funded retirement benefit obligation	¥ 193,441	¥ 198,581	$ 1,727,161
Plan assets at fair value	(197,393)	(171,553)	(1,762,446)
	(3,952)	27,028	(35,285)
Unfunded retirement benefit obligation	6,383	6,078	56,997
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥2,431	¥ 33,106	$21,712
Net defined benefit liability	40,883	50,729	365,034
Net defined benefit asset	(38,452)	(17,623)	(343,322)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,431	¥ 33,106	$ 21,712

Note : Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Service cost	¥ 3,273	¥ 3,271	$ 29,227
Interest cost	2,659	2,816	23,749
Expected return on plan assets	(3,489)	(3,652)	(31,159)
Amortization of actuarial loss	4,731	4,846	42,247
Amortization of prior service cost	(563)	(569)	(5,031)
Retirement benefit expenses calculated by simplified method	237	431	2,118
Others	151	141	1,341
Retirement benefit expenses	¥ 6,999	¥ 7,284	$ 62,492

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Prior service cost	¥ 563	¥ 569	$ 5,031
Actuarial gain and loss	(26,999)	50,272	(241,068)
Total	¥(26,436)	¥50,841	$(236,037)

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Unrecognized prior service cost	¥(6,188)	¥ (6,752)	$(55,254)
Unrecognized actuarial gain and loss	9,363	36,363	83,603
Total	¥ 3,175	¥29,611	$ 28,349

(8) The breakdown of plan assets by major category as of March 31, 2017 and 2016 were as follows:

	2017	2016
Deposit	37%	0%
Debt securities	35	39
Equity securities	16	46
General accounts at life insurance companies	12	14
Others	0	1
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 22% of total amount of plan assets as of March 31, 2017 and 17% as of March 31, 2016.

The long-term expected rates of return on plan assets has been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2017 and 2016 were as follows:

	2017	2016
Discount rates	0.27% – 1.40%	0.27% – 1.40%
Long-term expected rates of return on plan assets	mainly 2.5%	mainly 2.5%
Expected rates of salary increase	2.5% – 8.6%	2.2% – 8.6%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2017 and 2016 were ¥4,565 million ($40,761 thousand) and ¥4,635 million, respectively.

4. Information on multiemployer pension plans

Contributions to multiemployer pension plans accounted for by the same methods used for defined contributions plans for the years ended March 31, 2017 and 2016 were ¥35 million ($316 thousand) and ¥50 million, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2017 and 2016 were as follows:

	Thousands of shares			
	March 31, 2016	Increase in the year	Decrease in the year	March 31, 2017
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,109	51	2	32,158
Total	32,109	51	2	32,158

	Thousands of shares			
	March 31, 2015	Increase in the year	Decrease in the year	March 31, 2016
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	32,057	55	3	32,109
Total	32,057	55	3	32,109

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2017 and 2016.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2016	Common stock	¥3,571	$31,892	¥5.0	$0.04	March 31, 2016	June 8, 2016
Meeting of the Board of Directors on October 27, 2016	Common stock	3,571	31,892	5.0	0.04	September 30, 2016	December 3, 2016

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2015	Common stock	¥3,572	¥5.0	March 31, 2015	June 8, 2015
Meeting of the Board of Directors on October 29, 2015	Common stock	3,572	5.0	September 30, 2015	December 3, 2015

(2) Dividends with the cut-off date in the year ended March 31, 2017 and effective date in the year ending March 31, 2018

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 25, 2017	Common stock	¥4,285	$38,267	Retained earnings	¥6.0	$0.05	March 31, 2017	June 7, 2017

Dividends with the cut-off date in the year ended March 31, 2016 and effective date in the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2016	Common stock	¥3,571	Retained earnings	¥5.0	March 31, 2016	June 8, 2016

Note 13. Research and Development Costs

Research and development costs charged to income were ¥34,910 million ($311,703 thousand) and ¥35,949 million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Research and development costs	¥34,910	¥35,949	$311,703

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Salaries and wages	¥74,466	¥73,621	$664,877
Retirement benefit expenses	4,837	4,729	43,195
Research and development costs	30,319	30,766	270,711

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Extraordinary income			
Gain on sales of noncurrent assets	¥ 55	¥ 989	$ 491
Gain on sales of investment securities	18,849	2,351	168,297
Gain on insurance adjustment	910	—	8,150
Extraordinary loss			
Loss on disposal of noncurrent assets	(568)	(775)	(5,078)
Loss on devaluation of investment securities	(244)	(167)	(2,187)
Impairment loss	(1,356)	(282)	(12,114)
Settlement package	—	(640)	—
Loss on liquidation of subsidiaries	—	(470)	—
Others	—	(54)	—
Extraordinary income, net	¥17,646	¥ 952	$157,559

Note 16. Impairment Loss

The Companies determine the asset group by considering the division of management accounting.

For the year ended March 31, 2017, the Companies recognized an impairment loss on the following asset groups:

Usage	Location	Classification	Millions of yen	Thousands of U.S. dollars (Note 3)
—	Thailand	Goodwill	¥1,356	$12,114

As a result of having examined the possibility of future recovery based on the current business environment of a consolidated subsidiary in substation business, the Companies recognized an impairment loss on goodwill as an extraordinary loss up to the recoverable amount of the asset groups.

In addition, the value-in-use was measured by discounting future cash flows at a rate of 6.5%.

For the year ended March 31, 2016, notes to impairment loss were not disclosed because it didn't have significant impact on the consolidated financial statements.

Note 17. Income Taxes

1. The components of income taxes for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Current	¥ 33,157	¥ 9,600	$ 296,051
Deferred	(14,233)	3,098	(127,094)
Income taxes	¥ 18,924	¥12,698	$ 168,957

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Deferred tax assets			
Net defined benefit liability	¥23,604	¥ 33,414	$210,750
The investment deduction of the foreign consolidated subsidiaries	14,338	16,481	128,026
Inventories	6,597	6,528	58,910
Investment securities	6,459	6,880	57,676
Accrued employees' bonuses	6,379	6,306	56,957
Tangible fixed assets	2,403	2,059	21,460
Other	8,190	8,225	73,103
Gross deferred tax assets	67,970	79,893	606,882
Less: Valuation allowance	(23,012)	(25,132)	(205,465)
Total deferred tax assets	44,958	54,761	401,417
Deferred tax liabilities			
Unrealized gain on other securities	(18,927)	(13,545)	(168,994)
Investment securities	(2,062)	(4,912)	(18,418)
Gain on securities contribution to employee retirement benefit trust	(26)	(16,096)	(237)
Other	(3,629)	(1,297)	(32,390)
Gross deferred tax liabilities	(24,644)	(35,850)	(220,039)
Net deferred tax assets (liabilities)	$ 20,314	¥ 18,911	$ 181,378

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Statutory income tax rate	—	33.1%
Tax rate difference of overseas consolidated subsidiaries	—	(3.9)
Permanent difference resulting from non-taxable income, including dividends received	—	(3.2)
Tax credits	—	(2.6)
Valuation allowance	—	(1.9)
Decrease in deferred tax assets due to the revision of statutory income tax rate	—	3.0
Permanent difference resulting from expenses not deductible for income tax purposes	—	1.7
Other	—	1.1
Effective income tax rate	—	27.3%

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2017 was not disclosed because it was not material.

Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 36,669	¥(56,295)	$ 327,405
Reclassification adjustments	(18,689)	(2,283)	(166,862)
Before tax effect	17,980	(58,578)	160,543
Tax effect	(5,382)	19,283	(48,055)
Valuation difference on available-for-sale securities	12,598	(39,295)	112,488
Deferred gains or losses on hedges:			
Amount arising during the year	(561)	(896)	(5,009)
Asset acquisition cost adjustments	19	21	171
Before tax effect	(542)	(875)	(4,838)
Tax effect	78	253	695
Deferred gains or losses on hedges	(464)	(622)	(4,143)
Foreign currency translation adjustments:			
Amount arising during the year	(3,238)	(8,300)	(28,915)
Reclassification adjustments	(364)	—	(3,268)
Before tax effect	(3,602)	(8,300)	(32,183)
Tax effect	—	—	—
Foreign currency translation adjustments	(3,602)	(8,300)	(32,183)
Remeasurements of defined benefit plans:			
Amount arising during the year	22,267	(55,118)	198,821
Reclassification adjustments	4,169	4,278	37,216
Before tax effect	26,436	(50,840)	236,037
Tax effect	(8,077)	15,926	(72,109)
Remeasurements of defined benefit plans	18,359	(34,914)	163,928
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	159	(622)	1,425
Reclassification adjustments	148	102	1,324
Share of other comprehensive income of associates accounted for using equity method	307	(520)	2,749
Total other comprehensive income	¥ 27,198	¥(83,651)	$ 242,839

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Guarantees	¥10,256	¥8,781	$91,572

Note 20. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2017 and 2016 were as follows:

(a) Acquisition cost and accumulated depreciation under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Acquisition cost	¥1,709	¥1,904	$15,260
Accumulated depreciation	1,417	1,463	12,648
Net leased property	¥ 292	¥ 441	$ 2,612

(b) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥154	¥166	$1,376
Due after one year	208	363	1,858
Total	¥362	¥529	$3,234

(c) Lease expense, depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Lease expense	¥174	¥228	$1,555
Depreciation expense	135	184	1,211
Interest expense	13	20	124

(d) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(e) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥1,280	¥1,791	$11,430
Due after one year	1,138	2,055	10,163
Total	¥2,418	¥3,846	$21,593

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities.

Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2016, reflecting change of organization structure, the reporting segments were reclassified in Industrial Infrastructure, Power Electronics, Electronic Devices and Food and Beverage Distribution. The reporting segment information for the year ended March 31, 2016 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydraulic power generation, solar power generation systems, fuel cells, energy management systems, smart meter, information systems
Industrial Infrastructure	Substation equipment, industrial power supply facility, industrial drive systems, plant control systems, data centers, industrial energy management systems, measuring instruments and sensors, radiation monitoring systems, electrical equipment and air conditioning construction
Power Electronics	Inverters/servos, motors, railcar systems, uninterruptible power systems (UPSs), power conditioning sub-systems (PCSs), switchboards, power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductors, magnetic disks
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, store equipment, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in “Note 2. Summary of Significant Accounting Policies.” Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2017 and 2016 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥193,159	¥206,238	¥182,142	¥115,306	¥109,246	¥31,674	¥837,765	¥ —	¥837,765
Inter-segment sales and transfers	1,636	2,879	23,713	3,156	311	27,426	59,121	(59,121)	—
Total sales	194,795	209,117	205,855	118,462	109,557	59,100	896,886	(59,121)	837,765
Segment profits (losses)	¥ 11,923	¥ 14,572	¥ 8,640	¥ 8,030	¥ 6,029	¥ 2,066	¥ 51,260	¥ (6,551)	¥ 44,709
Segment assets	¥133,828	¥186,476	¥200,637	¥148,761	¥ 78,912	¥32,065	¥780,679	¥105,984	¥886,663
Other items									
Depreciation and amortization	¥ 2,551	¥ 3,592	¥ 6,675	¥ 12,594	¥ 2,253	¥ 803	¥ 28,468	¥ 977	¥ 29,445
Investments for companies applied equity method	¥ —	¥ 14,221	¥ —	¥ —	¥ —	¥ —	¥ 14,221	¥ —	¥ 14,221
Capital expenditures	¥ 2,275	¥3,238	¥9,498	¥ 6,248	¥ 3,885	¥ 781	¥ 25,925	¥ 667	¥ 26,592

	Millions of yen								
Year ended March 31, 2016	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥174,007	¥197,239	¥180,716	¥117,247	¥109,751	¥34,590	¥813,550	¥ —	¥813,550
Inter-segment sales and transfers	1,481	2,142	28,058	2,944	283	27,999	62,907	(62,907)	—
Total sales	175,488	199,381	208,774	120,191	110,034	62,589	876,457	(62,907)	813,550
Segment profits (losses)	¥ 9,736	¥ 11,172	¥ 9,431	¥ 9,779	¥ 8,027	¥ 2,336	¥ 50,481	¥ (5,475)	¥ 45,006
Segment assets	¥125,265	¥186,175	¥190,061	¥147,640	¥ 71,095	¥30,788	¥751,024	¥ 94,354	¥845,378
Other items									
Depreciation and amortization	¥ 2,042	¥ 2,934	¥ 6,436	¥ 13,940	¥ 2,490	¥ 826	¥ 28,668	¥ 1,055	¥ 29,723
Investments for companies applied equity method	¥ —	¥ 13,274	¥ —	¥ —	¥ —	¥ —	¥ 13,274	¥ —	¥ 13,274
Capital expenditures	¥ 2,370	¥ 3,210	¥ 8,362	¥ 11,863	¥ 2,589	¥ 559	¥ 28,953	¥ 5,326	¥ 34,279

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$1,724,634	$1,841,415	$1,626,273	$1,029,526	$975,413	$282,790	$7,480,051	$ —	$7,480,051
Inter-segment sales and transfers	14,613	25,702	211,719	28,175	2,777	244,888	527,874	(527,874)	—
Total sales	1,739,247	1,867,117	1,837,992	1,057,701	978,190	527,678	8,007,925	(527,874)	7,480,051
Segment profits (losses)	$ 106,463	$ 130,108	$ 77,145	$ 71,699	$ 53,837	$ 18,435	$ 457,687	$ (58,492)	$ 399,195
Segment assets	$1,194,895	$1,664,972	$1,791,403	$1,328,224	$704,577	$286,284	$6,970,355	$ 946,286	$7,916,641
Other items									
Depreciation and amortization	$22,779	$32,078	$ 59,603	$ 112,449	$ 20,121	$ 7,150	$ 254,180	$ 8,730	$ 262,910
Investments for companies applied equity method	$ —	$ 126,981	$ —	$ —	$ —	$ —	$ 126,981	$ —	$ 126,981
Capital expenditures	$ 20,316	$ 28,914	$ 84,809	$ 55,791	$ 34,693	$ 6,950	$ 231,473	$ 5,962	$ 237,435

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Corporate expense*	¥(6,591)	¥(5,482)	$(58,855)
Elimination of intersegment sales	40	7	363
Total	¥(6,551)	¥(5,475)	$(58,492)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Corporate assets*	¥ 274,695	¥ 264,764	$ 2,452,641
Elimination of intersegment transactions	(168,711)	(170,410)	(1,506,355)
Total	¥ 105,984	¥ 94,354	$ 946,286

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related information

Related information as of March 31, 2017 and 2016 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Japan	¥632,723	¥597,757	$5,649,317
Asia (except for China), Others	106,150	103,873	947,750
China	67,463	82,630	602,354
Europe	16,595	16,681	148,175
America	14,834	12,609	132,455
Consolidated	¥837,765	¥813,550	$7,480,051

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Japan	¥135,613	¥136,614	$1,210,834
Asia (except for China), Others	24,306	26,375	217,012
China	12,179	12,518	108,747
Europe	724	714	6,464
America	695	255	6,207
Consolidated	¥173,517	¥176,476	$1,549,264

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Power and Social Infrastructure	¥ —	¥ 26	$ —
Industrial Infrastructure	1,356	—	12,114
Power Electronics	—	256	—
Electronic Devices	—	—	—
Food and Beverage Distribution	—	—	—
Others	—	—	—
Total	¥1,356	¥282	$12,114

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment for the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen						
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ 195	¥201	¥302	¥67	¥—	¥—	¥ 765
Balance as of March 31	¥1,697	¥ —	¥969	¥98	¥—	¥—	¥2,764

	Millions of yen						
Year ended March 31, 2016	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	¥—	¥ 196	¥ 308	¥ 63	¥—	¥—	¥ 567
Balance as of March 31	¥—	¥1,524	¥1,349	¥165	¥—	¥—	¥3,038

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2017	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Consolidated
Amortization	$ 1,748	$1,795	$2,699	$589	$—	$—	$6,831
Balance as of March 31	$15,153	$ —	$8,657	$875	$—	$—	$24,686

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2017

None

Note 23. Business Combinations

I. Transaction under common control

Additional acquisition of subsidiary's share

1. Summary of transactions

(1) Name and business lines of acquired company

Name: GE Fuji Meter Co., Ltd. ("GFM")

Business lines: Design, manufacture, sales, maintenance, and repair of electric meters (including smart meters and meter-related products) used by electric power utilities and other customers.

(2) Date of the business combination

August 31, 2016

(3) Legal form of the business combination

Share acquisition from a non-controlling shareholder

(4) Name of the company after business combination

GFM has changed its name to Fuji Electric Meter Co., Ltd. on February 1, 2017.

(5) Other information

GFM was established through a joint capital investment of the Company and GE Energy Japan, Ltd. ("GEEJ"), a subsidiary of General Electric ("GE") in Japan, in February 2011 for the purpose of designing, manufacturing and marketing electric meters for the Japanese market. It has developed its business by properly seizing the market opportunities arising from the dissemination of smart meters in Japan.

GE sold off the global electric meter business in December 2015 as part of its business portfolio strategy.

In response, the Company and GEEJ came to an agreement on the acquisition by the Company of the GEEJ-owned shares in GFM and termination of the joint venture agreement.

2. Accounting method

Based on "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21 of September 13, 2013) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of September 13, 2013), this additional share acquisition was treated as a transaction with non-controlling interest under common control.

3. Details on the additional acquisition cost of subsidiary's shares

Breakdown by acquisition cost and type of consideration

		Millions of yen	Thousands of U.S. dollars (Note 3)
		2017	2017
Details on the additional acquisition cost of subsidiary's shares	Cash and cash equivalents	¥2,107	$18,816
Acquisition cost		¥2,107	$18,816

4. Matters regarding changes in equity of the Company related to transaction with a non-controlling shareholder

(1) Reason for changes in capital surplus: Additional acquisition of subsidiary's share

(2) Amount of decrease in capital surplus due to transaction with a non-controlling shareholder

Millions of yen	Thousands of U.S. dollars (Note 3)
2017	2017
¥751	$6,708

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 4 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.2% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Balance at the beginning of the year	¥2,049	¥2,157	$18,297
Increase due to acquisition of property, plant and equipment	0	2	6
Adjustment due to passage of time	8	8	74
Decrease due to fulfillment of obligations	(71)	(118)	(638)
Balance at the end of the year	¥1,986	¥2,049	$17,739

Note 25. Amounts Per Share

Information of amounts per share as of March 31, 2017 and 2016 and for the years then ended were as follows:

	Yen		U.S. dollars (Note 3)
	2017	2016	2017
Net assets per share	¥407.68	¥322.52	$3.640
Net income per share	57.36	42.90	0.512
Diluted net income per share	—	42.86	—

Diluted net income per share in 2017 is not disclosed because there is no potential common stock that has a dilutive effect.

Note 26. Subsequent Events

1. Changes in the reporting segments

As of April 1, 2017, the Companies reclassified the reporting segments from “Power and Social Infrastructure”, “Industrial Infrastructure”, “Power Electronics”, “Electronic Devices” and “Food and Beverage Distribution” to “Power Electronics Systems – Energy Solutions”, “Power Electronics Systems – Industry Solutions”, “Power and New Energy”, “Electronic Devices” and “Food and Beverage Distribution” reflecting change of organization structure.

In addition, segment information for the year ended March 31, 2017 modified in line with the new classification was as follows:

	Millions of yen								
Year ended March 31, 2017	Power Electronics Systems – Energy Solutions	Power Electronics Systems – Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales and profits or losses by reporting segments									
Net sales									
Sales to third parties	¥210,285	¥277,826	¥93,427	¥115,306	¥109,246	¥31,675	¥837,765	¥ —	¥837,765
Inter-segment sales and transfers	8,462	8,201	411	3,156	311	27,426	47,967	(47,967)	—
Total sales	218,747	286,027	93,838	118,462	109,557	59,101	885,732	(47,967)	837,765
Segment profits (losses)	¥ 13,725	¥ 13,949	¥ 7,479	¥ 8,030	¥ 6,029	¥ 2,066	¥ 51,278	¥ (6,569)	¥ 44,709

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2017	Power Electronics Systems – Energy Solutions	Power Electronics Systems – Industry Solutions	Power and New Energy	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales and profits or losses by reporting segments									
Net sales									
Sales to third parties	$1,877,547	$2,480,597	$834,178	$1,029,526	$975,413	$282,790	$7,480,051	$ —	$7,480,051
Inter-segment sales and transfers	75,552	73,216	3,670	28,175	2,777	244,888	428,278	(428,278)	—
Total sales	1,953,099	2,553,813	837,848	1,057,701	978,190	527,678	7,908,329	(428,278)	7,480,051
Segment profits (losses)	$ 122,551	$ 124,550	$ 66,778	$ 71,699	$ 53,837	$ 18,435	$ 457,850	$ (58,655)	$ 399,195

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.
2. The adjustments for segment information above were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2017
Corporate expense*	¥(6,591)	$(58,855)
Elimination of intersegment sales	22	200
Total	¥(6,569)	$(58,655)

* Corporate expense mainly consisted of administration cost of the Company.